



Highlights of [GAO-08-712](#), a report to congressional requesters

Why GAO Did This Study

As the baby boom generation ages, the demand for long-term care services, which include nursing home care, is likely to grow and could strain state and federal resources. The increased use of long-term care insurance (LTCI) may be a way of reducing the share of long-term care paid by state and federal governments. Oversight of LTCI is primarily the responsibility of states, but over the past 12 years, there have been federal efforts to increase the use of LTCI while also ensuring that consumers purchasing LTCI are adequately protected. Despite this oversight, concerns have been raised about both premium increases and denials of claims that may leave consumers without LTCI coverage when they begin needing care. GAO was asked to review the consumer protection standards governing LTCI policies and how those standards are being enforced.

Specifically, GAO examined oversight of the LTCI industry's (1) rate setting practices and (2) claims settlement practices. GAO reviewed information from the National Association of Insurance Commissioners (NAIC) on all states' rate setting standards. GAO also completed 10 state case studies on oversight of rate setting and claims settlement practices, which included structured reviews of state laws and regulations, interviews with state regulators, and reviews of state complaint information. GAO also reviewed national data on rate increases implemented by companies.

To view the full product, including the scope and methodology, click on [GAO-08-712](#). For more information, contact John Dicken at (202) 512-7114 or dickenj@gao.gov.

LONG-TERM CARE INSURANCE

Oversight of Rate Setting and Claims Settlement Practices

What GAO Found

Many states have made efforts to improve oversight of rate setting, though some consumers remain more likely to experience rate increases than others. NAIC estimates that since 2000 more than half of states nationwide have adopted new rate setting standards. States that adopted new standards generally moved from a single standard that was intended to prevent premium rates from being set too high to more comprehensive standards designed to enhance rate stability and provide other protections for consumers. Although a growing number of consumers will be protected by the more comprehensive standards going forward, as of 2006 many consumers had policies not protected by these standards. Regulators in most of the 10 states GAO reviewed said that they expect these more comprehensive standards will be effective, but also recognized that more time is needed to know how well the standards will work in stabilizing premium rates. State regulators in GAO's review also use other standards or practices to oversee rate setting, several of which are intended to help keep premium rates more stable. Despite state oversight efforts, some consumers remain more likely to experience rate increases than others. Specifically, consumers may face more risk of a rate increase depending on when they purchased their policy or which state is reviewing a proposed rate increase on their policy.

The 10 states in GAO's review oversee claims settlement practices by monitoring consumer complaints and completing examinations in an effort to ensure that companies are complying with claims settlement standards. Claims settlement standards in these states largely focus on timely investigation and payment of claims and prompt communication with consumers, but the standards adopted and how states define timeliness vary notably across the states. Regulators told GAO that they use consumer complaints to identify trends in companies' claims settlement practices, including whether they comply with state standards, and to assist consumers in obtaining payment for claims. In addition to monitoring complaints, these regulators also said that they use examinations of company practices to identify any violations in standards that may require further action. Finally, state regulators in 6 of the 10 states in GAO's review are considering additional protections related to claims settlement. For example, regulators from 4 states said that their states were considering an independent review process for consumers appealing claims denials. Such an addition may be useful, as some regulators said that they lack authority to resolve complaints where, for example, the company and consumer disagree on a factual matter regarding a consumer's eligibility for benefits.

In commenting on a draft of this report, NAIC compiled comments from its member states who said that the report was accurate but seemed to critique certain aspects of state regulation, including differences among states, and make an argument for certain reforms. The draft reported differences in states' oversight without making any conclusions or recommendations.